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**HF 2199** – Unemployment Insurance, Voluntary Shared Work (LSB 5594HV)  
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Fiscal Note Version – New

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### **Description**

**House File 2199** amends the current Voluntary Shared Work (VSW) Program in Iowa Code section **96.40** that is part of the Iowa Employment Security Law (commonly referred to as Unemployment Insurance or Unemployment Compensation). The VSW Program allows employers to temporarily reduce employee hours, instead of laying them off, with the goal to reduce unemployment. Businesses are able to retain their employees for easy recall to full-time work, and workers keep their jobs and collect a reduced percentage of unemployment benefits to partially replace the lost wages due to decreased hours.

This Bill modifies the VSW Program in the following ways:

- Removes the restriction that the Program only applies to temporary layoffs.
- Requires the employer to estimate the number of layoffs that will happen without the Program.
- Allows part-time employees to participate.
- Defines “fringe benefits” to include pension plans as defined by the Internal Revenue Service Code.
- Requires the employer to give employees notice in advance of program participation.
- Requires participation be consistent with federal and state laws.
- Amends the Program to be available for an employer with an approved plan if work is reduced between 20.0% and 50.0% in a given week.
- Requires charges for all benefits paid under a VSW Plan to be charged as part of the regular unemployment compensation tax.
- Includes Workforce Investment Act training programs as part of the training program an employer can offer employees.

### **Background**

The federal **Middle Class Tax Relief and Job Creation Act of 2012** modified the current definition of “short time compensation” (the technical term for shared work). States are not required to enact a VSW Program; however, states must operate a VSW Program that conforms to federal requirements. Federal funds will cover 100.0% of the partial benefits paid out under conforming State work-sharing programs for up to three years in states that already have programs. Iowa’s current work share program does not conform to federal requirements, but the State was eligible for two years of partial benefit funding. Iowa’s law must conform to federal requirements by August 22, 2014, to receive one additional year of reimbursement for benefits paid through the VSW Program.

### **Assumptions**

The VSW Program will be utilized the same amount in 2014 as it was in 2013.

## **Fiscal Impact**

No impact to the General Fund.

Enacting these changes to the VSW Program will enable Iowa to receive federal reimbursement for partial benefits paid for out of the Unemployment Compensation Trust Fund for an additional year. These partial benefits are estimated at \$325,000.

This legislation is necessary to conform to federal law and to maintain a state-certified unemployment compensation program. If this legislation is not enacted, it may result in Iowa losing State certification and could result in the loss of the current 5.4% federal tax credit for Iowa businesses. The loss of the tax credit may result in Iowa businesses paying an additional \$500.0 million annually in federal unemployment taxes.

## **Sources**

Iowa Workforce Development  
U.S. Department of Labor  
National Conference of State Legislatures

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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